

## **Energy Services Provider Survey Results**

In November 1998, the California Energy Commission conducted a survey of energy services providers. The purpose of the survey was to determine whether the recent changes in the electric industry in California had affected their services and business plan. In addition we wanted to gather information on: 1) the main obstacles that prevent potential customers from using their services and how the Energy Commission can help; and 2) the effectiveness of the Energy Commission's handbook, *How to Hire an Energy Services Company*, in helping to overcome the obstacles. The results from the survey would be used to update our list of energy services companies (ESCOs) serving California customers. The updated list of ESCOs now appear on the Energy Commission's web site and is contained in the April 1999 update of the Commission's handbook, *How to Hire an Energy Services Company*.

The survey was sent to 158 energy services providers, representing 114 companies. In addition to traditional ESCOs and performance contractors, the survey was sent to vendors, contractors and some energy efficiency equipment suppliers who wanted to be on the list and to energy suppliers who now offered energy efficiency services. The results of the survey indicate that deregulation of the electric industry in California has resulted in many business plan changes and many acquisitions and mergers. Many companies that we sent the survey to indicated that they no longer were in the performance contracting business or have been merged or acquired by other firms. Of those that did respond, 33 percent said that others had acquired their firm. The net result is that there appears to be about 40-50 companies continuing in the performance contracting business in California. Our survey indicates that many of these companies have formed strategic alliances with others in the industry to better position themselves for the changes resulting from the deregulated electricity markets.

There were mixed opinions about the Nonresidential Standard Performance Contracting Program offered by the PG&E, SCE and SDG&E. Some said the program was good and others said that it was poor. However, both groups agreed that the program paperwork was burdensome and resulted in project cost increases.

This document summarizes the results of the survey. Attachment 1 contains a copy of the survey and Attachment 2 contains a listing of the ESCOs serving California. If you have questions on this document or on the Energy Commission's energy efficiency programs, please contact:

California Energy Commission  
Nonresidential Buildings Office  
1516 Ninth Street, MS-26  
Sacramento, CA 95814  
Phone: (916) -654-4008; Fax: (916) 654-4304  
Web page: [www.energy.ca.gov/efficiency](http://www.energy.ca.gov/efficiency)

## Response Rate

A total of 158 surveys were mailed to energy service providers, representing 114 companies. Follow-up phone calls were made to those that had not responded by the survey due date. Some of these resulted in phone surveys. However, many never returned calls or indicated that they had no interest nor time to respond to the survey. As a result we received 53 responses, representing 49 companies. The following table summarizes the response rate and the number of unique company responses.

Total Responses		Unique Company Responses	
Surveys Mailed <sup>1</sup>	158	Companies Receiving Surveys <sup>2</sup>	114
Surveys Responses Received	53	Companies Responding to Survey	49
Response Rate	33 percent	Response Rate	43 percent

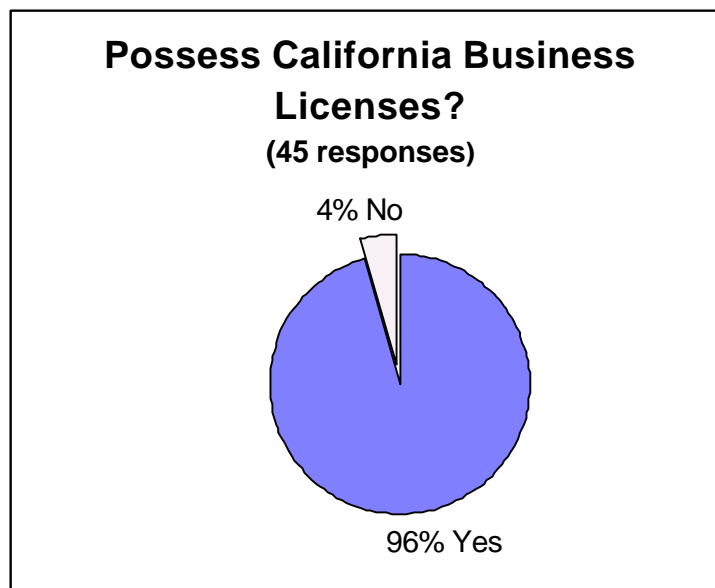
<sup>1</sup> In some cases, surveys were mailed to the company headquarters and California branch offices.

<sup>2</sup> This row counts only once the survey sent and received from a company.

## Survey Responses

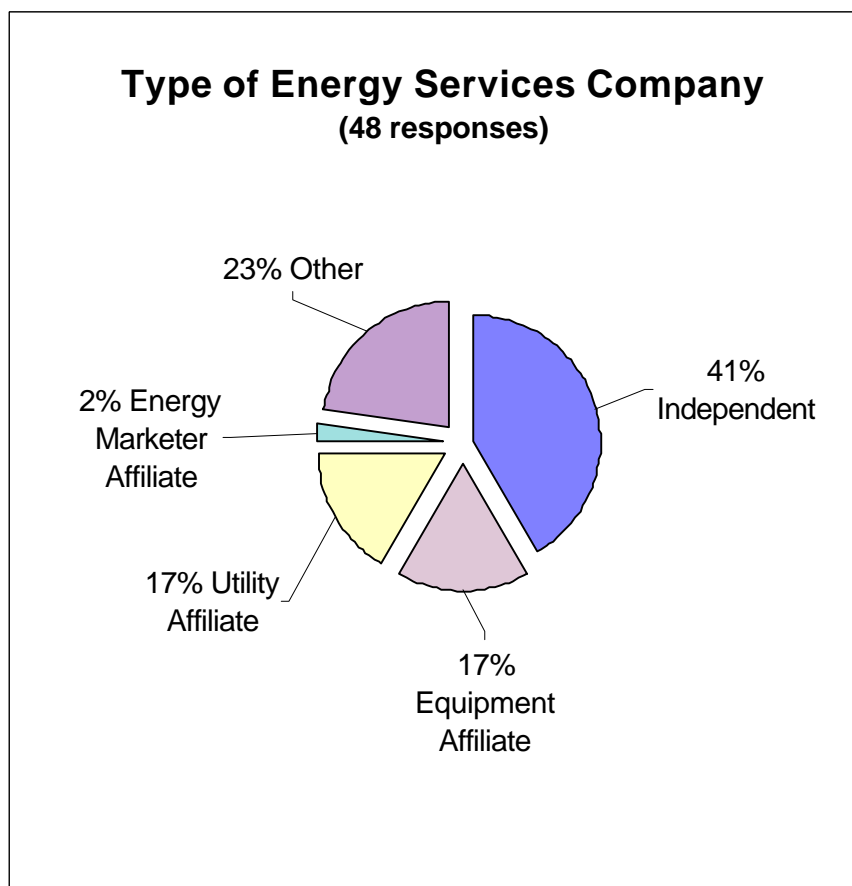
### 1. Does your company currently have a business license and/or contracting license in the State of California?

Nearly 100 percent of those surveyed indicated that they possess a California Business license.



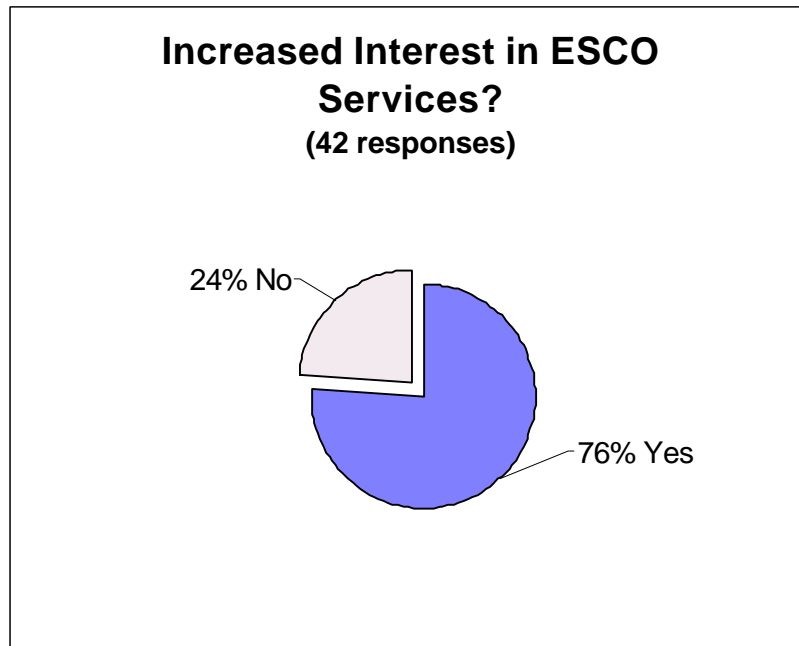
## 2. Which of the following best describes your company?

- 41 percent indicated that they are an independent ESCO, neither owned by an equipment manufacturer nor affiliated with utilities.
- 17 percent indicated that they were affiliated with an equipment manufacturer.
- 17 percent indicated that they were affiliated with a utility or separate utility subsidiary, either regulated or unregulated.
- 2 percent indicated that they were affiliated with an energy marketer.
- 23 percent indicated that they were none of the above. Responses included independent field office of equipment manufacturers, engineering and design consultant, HVAC contractor or financing company.



### 3. Has there been increased customer interest in your services?

Most companies indicated that there has been increased interest in their services. The reasons for increased interest include: a) the company's track record, marketing efforts and reputation in the industry, b) deregulation of the electric industry, c) the customer's need for HVAC infrastructure improvements, d) market awareness and customers realizing the cost saving benefits of energy efficiency and, e) the economy.



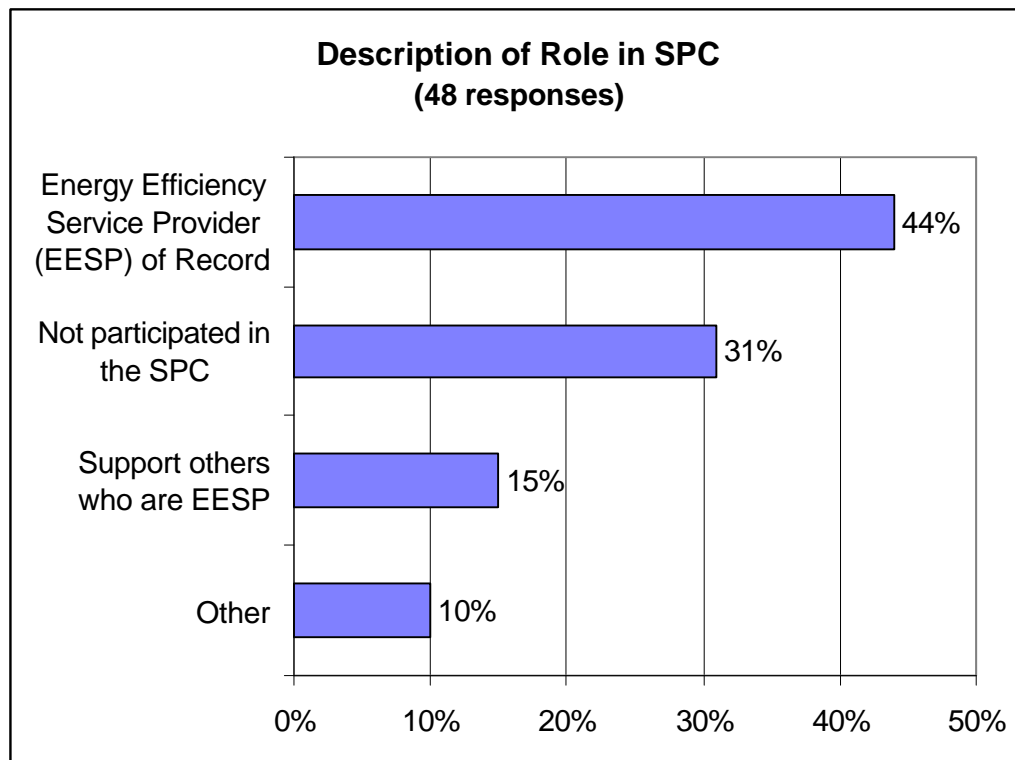
**4. The Nonresidential Standard Performance Contracting (SPC) Program is the 1998 incentive program for energy efficiency projects offered to customers in the PG&E, SCE and SDG&E service territories. What are your opinions of this program?**

We received 40 responses. The responses were mixed and were evenly divided. Some believed that the concept was good but the paperwork too burdensome. The following are the main categories of responses:

<b>Category</b>	<b>Sample Comments</b>	<b>Percent</b>
No Experience	<ul style="list-style-type: none"> <li>• No opinion</li> <li>• Small companies have difficult time participating—primarily set up for large ESCOs</li> </ul>	28
“Ok” Program	<ul style="list-style-type: none"> <li>• Not as good as the old program</li> <li>• Program has potential for increased customer awareness</li> </ul>	18
Good Program	<ul style="list-style-type: none"> <li>• Well thought out program but may benefit only large customers</li> <li>• Comprehensive</li> <li>• Positive influence on businesses to participate in energy management programs</li> <li>• Needs to be better advertised</li> <li>• Excellent program but funds could be allocated for work that may never be completed</li> <li>• Program is useful and should be expanded. However, the process is costly and time consuming.</li> </ul>	28
Poor Program	<ul style="list-style-type: none"> <li>• Complex, bureaucratic and rigid program rules</li> <li>• Not beneficial to the customer. High metering and evaluation costs-minimizes benefit of doing energy efficiency projects, especially lighting.</li> <li>• Paperwork burdensome</li> <li>• Funds may be unavailable at time of application</li> <li>• Program needs to be independent of the utility</li> <li>• Ineffective for industrial customers</li> </ul>	26

**5. With respect to the SPC program, which of the following describes your main role?**

Most respondents indicated that they were the Energy Efficiency Service Provider (EESP) of record. This means that they submitted the application on behalf of the customer, are under contract to the utility to provide them with the documentation and reports on energy savings, and will receive the incentive payments based on project savings.



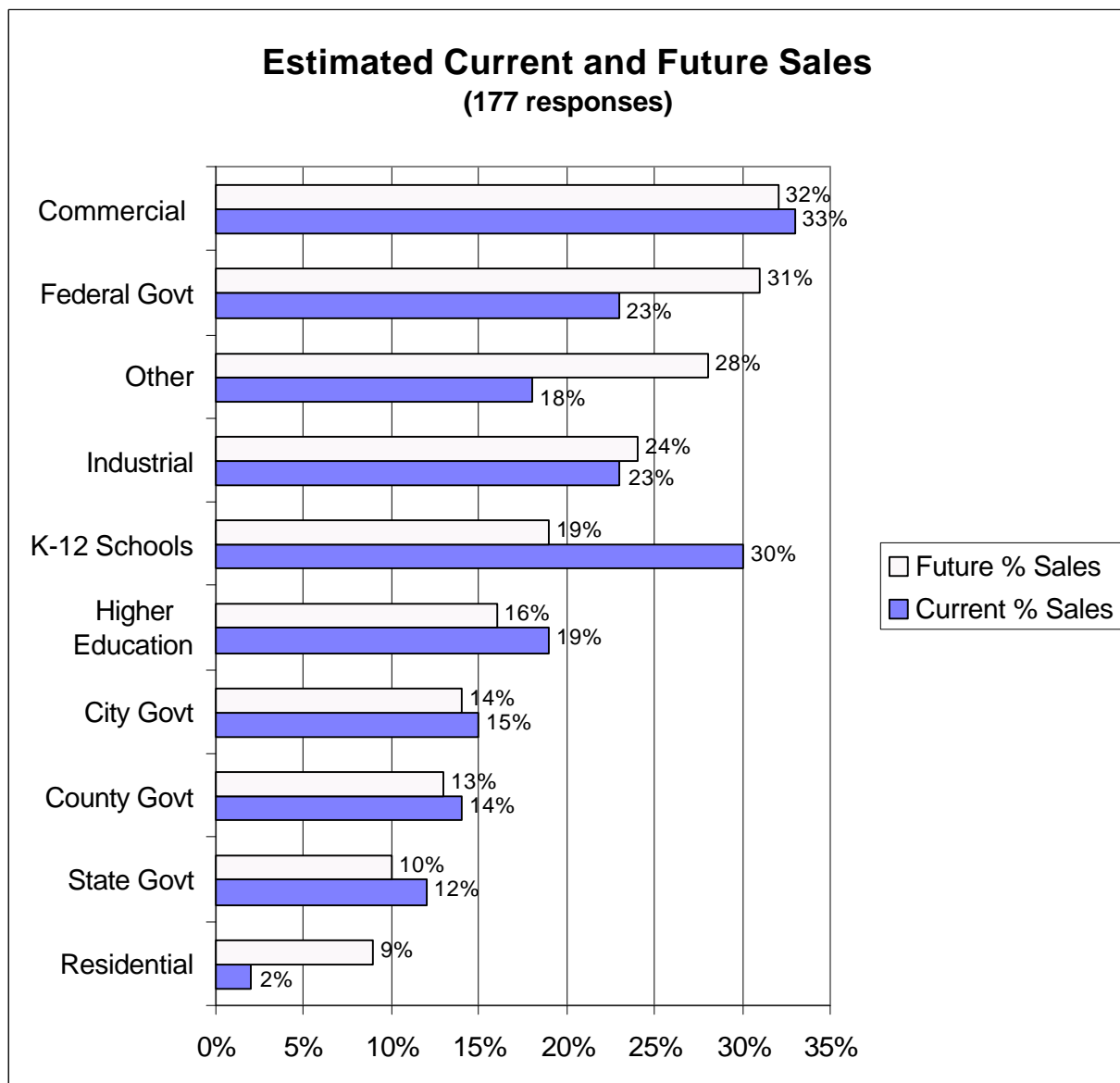
**6. If you are participating in the SPC, please indicate:**

<ul style="list-style-type: none"> <li><b>Number of customers served as an Energy Efficiency Service Provider (EESP) of record</b> (19 responses)</li> </ul>	<ul style="list-style-type: none"> <li>84% had less than 10 customers</li> <li>11% had between 11-20 customers</li> <li>5% had more than 21 customers</li> </ul>
<ul style="list-style-type: none"> <li><b>Number of customers served in a supporting role to others who are the EESP of record</b> (11 responses)</li> </ul>	<ul style="list-style-type: none"> <li>82% had less than 10 customers</li> <li>9% had between 11-20 customers</li> <li>9% had more than 21 customers</li> </ul>
<ul style="list-style-type: none"> <li><b>Estimated percent of work underway in the SPC versus all energy services work</b> (16 responses)</li> </ul>	<ul style="list-style-type: none"> <li>82% estimated less than 25% of their work was SPC related</li> <li>12% estimated between 25-50% of their work was SPC related</li> <li>6% estimated that over 50% of their</li> </ul>

	work was SPC-related
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**7. What estimated percent of your *current* gross sales do the following sectors represent? What about your *future* gross sales?**

The major consistent sales areas are in the private commercial and industrial areas. The K-12 schools appear to be a major source of sales currently, but it is expected to play a lesser role in the future. The reason is that many ESCOs have worked with schools for many years and the energy efficiency opportunities are decreasing. The opposite is true for federal government facilities and ESCOs predict increased sales in this area in the future.



8. What estimated percentage of your annual *energy services* sales is generated by each of the following activities in *California*?

Business Activity
<b>Comprehensive Performance Contracting*</b> includes HVAC, lighting and controls
<b>Mechanical Performance Contracting*</b> includes HVAC systems and controls
<b>Lighting Performance Contracting*</b> includes lighting systems and controls
<b>Mechanical Systems**</b> includes analysis, design and construction of HVAC & controls
<b>Lighting Systems**</b> includes analysis, design and construction of lighting & controls
<b>Energy Commodity Sales</b> includes electricity and/or natural gas
<b>Equipment Sales</b> includes all types
<b>Equipment Maintenance</b> includes all types
<b>Helping Customers Participate in Utility Incentive Programs</b> including rebate, DSM bid programs, and the Nonresidential Standard Performance Contracting Program
<b>Provide Monitoring and Verification Services</b> for others
<b>Other</b> , specify:

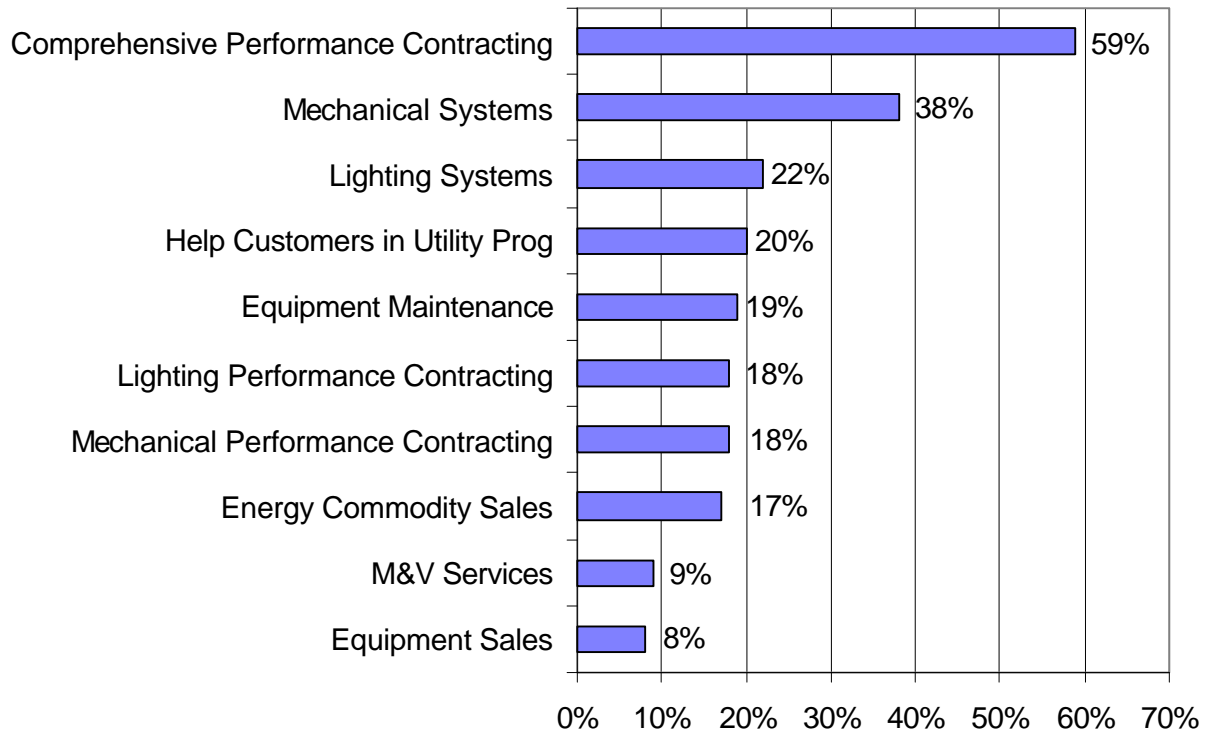
\* Performance contracting includes the investment grade audit, engineering, construction, monitoring and verification, and guaranteeing savings. The provision of financing and maintenance are options.

\*\* Includes design-build

We received 125 responses to this question. Some respondents indicated activity in multiple categories. Comprehensive performance contracting contributed to the largest percent of annual sales followed by mechanical systems. The percentages indicated in the following chart are the average of all the percentages given by the respondents.

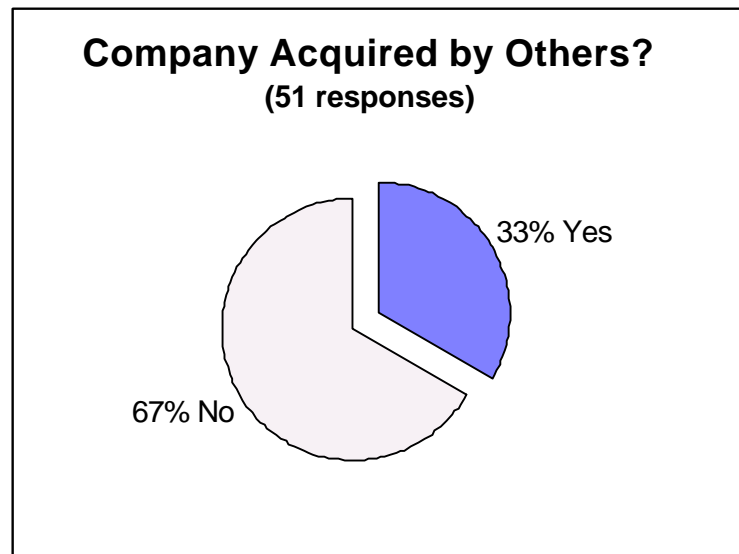
A few respondents indicated “other” service areas such as management consulting, subcontracting, performance contracting on non-energy efficiency projects and consulting on power quality.

### Estimated Percent of Annual Sales by Activity (125 responses)



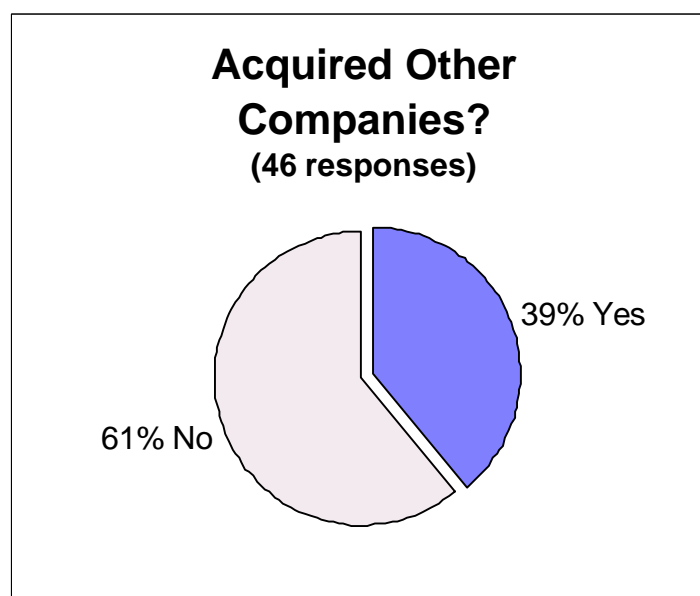
**9. Has your company *been acquired* by another in the last two years?**

Between 1997 and 1998, several ESCOs were acquired by others. Based on information contained in the surveys and direct phone calls to companies, Energy Commission staff learned that several ESCOs have been acquired by other ESCOs.



**10. Has your company *acquired* others in the last two years?**

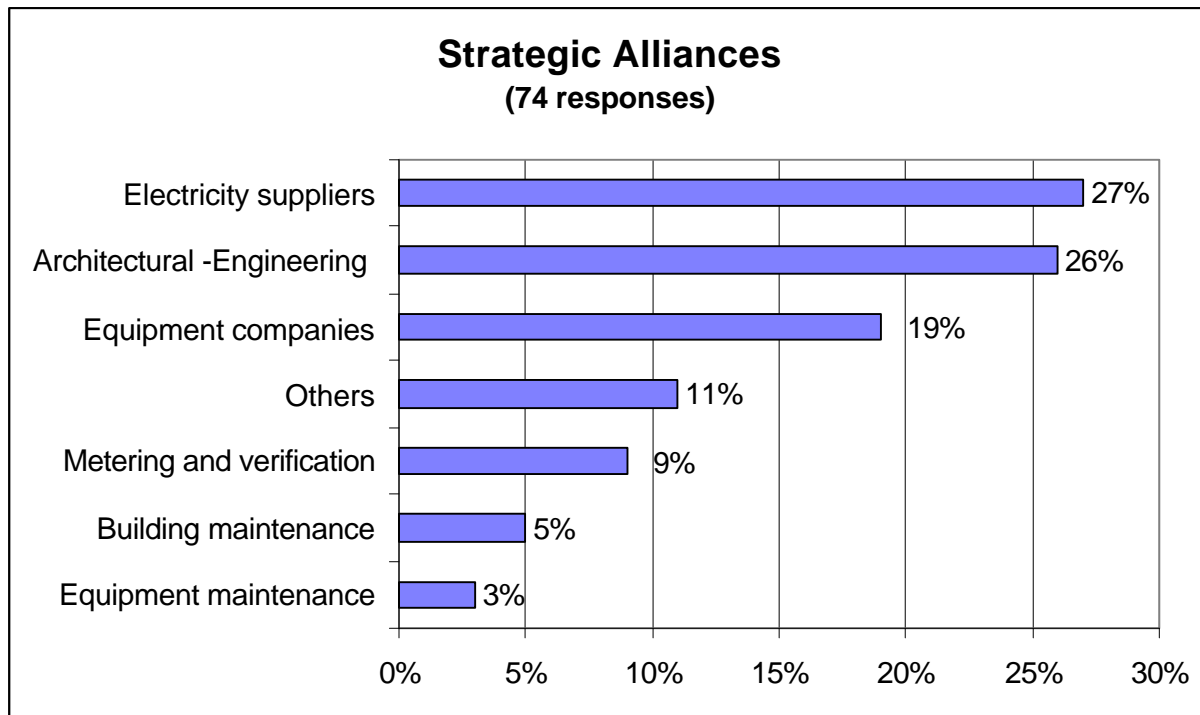
Several energy services providers acquired other firms, such as architectural/engineering firms, financing firms, mechanical and electrical firms, consulting firms and other ESCOs.





**11. With which firms have you formed strategic partnerships within the last two years? Check all that apply.**

Strategic partnerships were most often formed with electricity suppliers, architectural and engineering firms and equipment companies. Some of the “other” alliances include natural gas suppliers, financing companies, other ESCOs and governmental agencies.

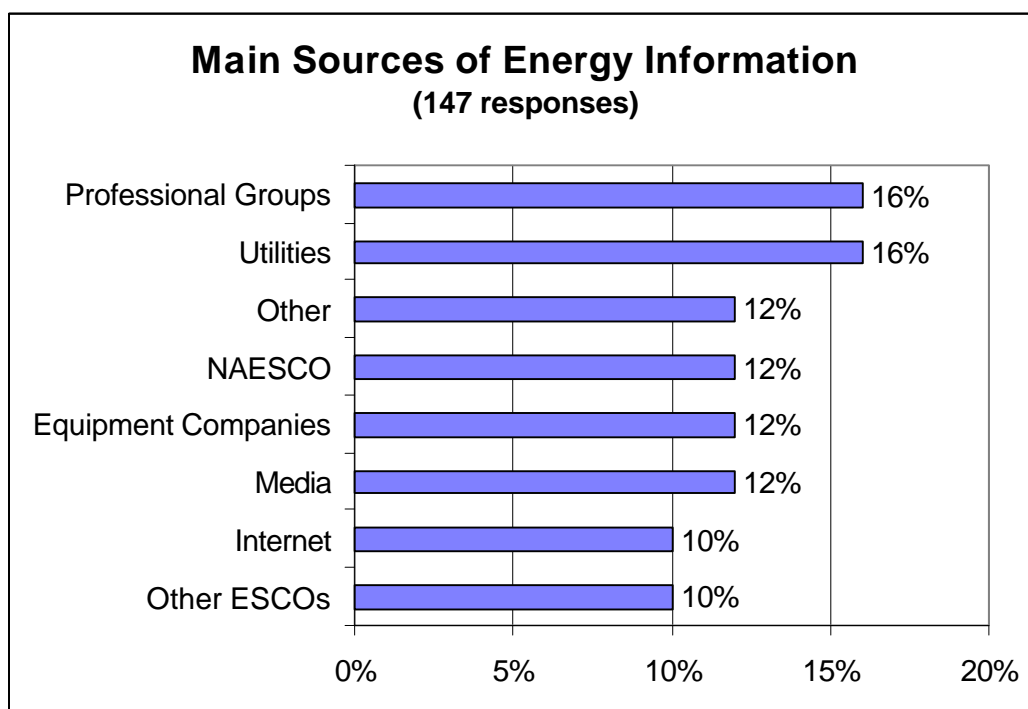


**12. What are your main sources of information on energy efficiency as it affects your industry? Check all that apply.**

Most information about energy efficiency is obtained from utilities and professional groups. The professional groups identified include the American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE), Association of Energy Engineers (AEE), Association of Professional Energy Managers (APEM), the American Public Works Association (APWA) and the American Society of Civil Engineers (ASCE).

Many also used the state (e.g., CEC and CPUC) and federal government (e.g., DOE, FEMP) web sites to get information. The most common web site mentioned was [www.energycentral.com](http://www.energycentral.com).

“Other” sources of information include networking with others, trade journals, state and federal agencies and E-Source.



**13. What are the main obstacles that prevent potential customers from using your services?**

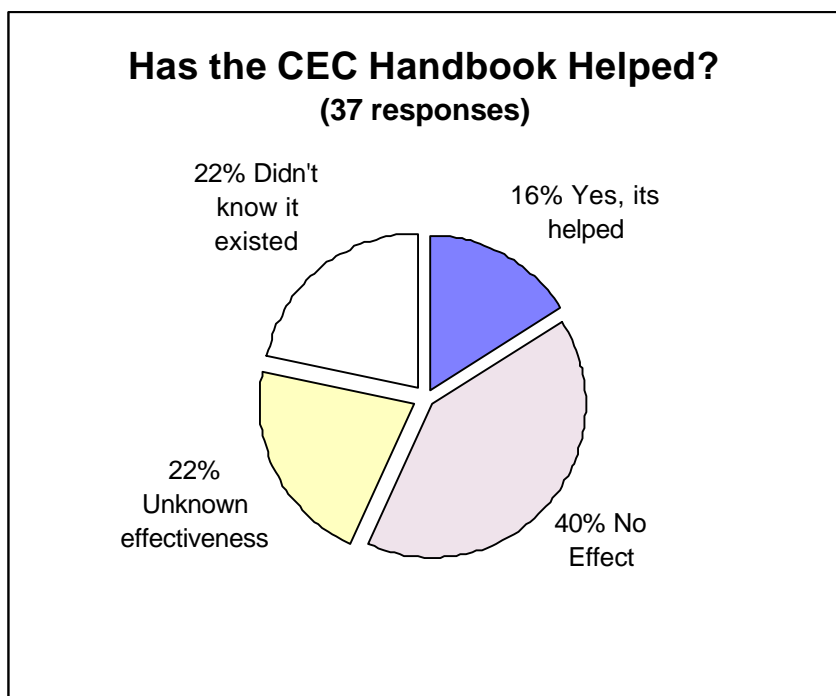
There were 39 responses to this question. The main responses were categorized into the seven areas listed in the following table. A sampling of the comments are also indicated on this table. The sample comments have been paraphrased to capture similar comments in each of the categories.

<b>Obstacles</b>	<b>Sample Comments (paraphrased)</b>
ESCO-Related	<ul style="list-style-type: none"><li>• Lack understanding of the ESCO process</li><li>• Not familiar with the benefits of ESCOs</li><li>• Bad press on performance contracting</li><li>• Lack of knowledge of how to pick the right ESCO</li><li>• Uncertainty regarding ESCO qualifications</li></ul>
Deregulation	<ul style="list-style-type: none"><li>• Uncertainty of energy deregulation</li><li>• Uncertainty of future utility rates</li><li>• Uncertainty about the utility environment</li><li>• Low electricity rates</li></ul>
Competition	<ul style="list-style-type: none"><li>• Competition from manufacturers, consultants and other ESCOs</li></ul>
Utilities	<ul style="list-style-type: none"><li>• Misrepresentation by utilities of ESCO services and benefits</li><li>• Load profile issues</li><li>• Utility related ESCOs</li><li>• Ineffective customer education by IOUs on non traditional rebate alternatives</li><li>• Utility inter-connection cost issues</li></ul>
Energy Efficiency	<ul style="list-style-type: none"><li>• Low priority of energy efficiency projects</li><li>• Lack of knowledge on the benefits of energy efficiency</li><li>• Most lighting projects have been done --leaving long payback HVAC projects</li></ul>
Internal Administrative	<ul style="list-style-type: none"><li>• Lack of internal champion</li><li>• Projects complex and time consuming to implement for customers</li><li>• Bureaucratic process-requiring many approvals</li></ul>
Funding	<ul style="list-style-type: none"><li>• Lack of funding for private sector projects</li><li>• Lack of incentives</li></ul>

**14. Has the Energy Commission's *How to Hire Energy Services Company Handbook* helped to overcome these obstacles?**

There were 46 responses and comments. There were 21 direct "yes" or "no" responses, 16 comments indicated that they were unaware of the handbook or did not know its effectiveness and the balance of the comments provided additional detail on their "yes" or "no" response. The following table summarizes the comments.

Category	Sample Comments
Handbook has helped	<ul style="list-style-type: none"> <li>Provides a good reference</li> <li>Received referrals as a result of handbook</li> <li>Increases public understanding of ESCOs</li> <li>More end users need to use it</li> </ul>
Handbook has had no effect	<ul style="list-style-type: none"> <li>No help</li> </ul>
Uncertain of effectiveness	<ul style="list-style-type: none"> <li>Don't know how effective</li> <li>No opinion</li> <li>Not received feedback from customers</li> <li>Handbook has not been cited as a reference by customers</li> </ul>
Did not know handbook existed	<ul style="list-style-type: none"> <li>Didn't know it existed</li> <li>Have not seen the handbook</li> <li>Not familiar with publication</li> </ul>



**15. Other than providing energy project grants or incentives to your customers, how else can the Energy Commission help in overcoming these obstacles?**

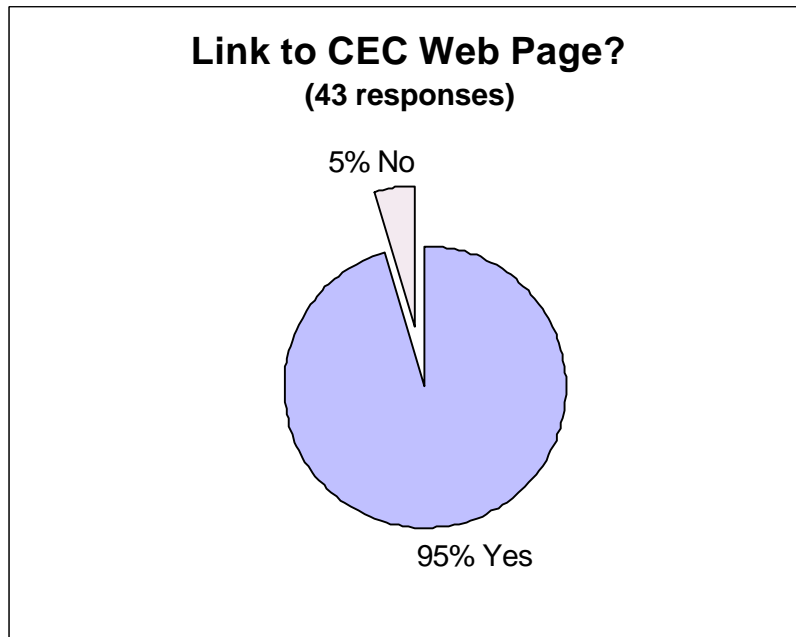
Many believed that the main way that the Energy Commission can help is to educate the public about the process by providing information about ESCOs, publishing success stories and promoting and being an advocate for the industry. 39 comments were received from the respondents. The following summarizes the main categories of their responses and some sample comments.

<b>CEC should:</b>	<b>Sample Comments (paraphrased)</b>
Educate and inform the public	<ul style="list-style-type: none"> <li>• Sponsor seminars supporting performance contracting</li> <li>• Educate and inform-be an advisor not a competitor</li> <li>• Provide case histories, develop ESCO success stories and frequently asked questions and put in handbook and web page</li> <li>• Provide public recognition of consumers who have used ESCOs</li> <li>• Develop newsletters</li> <li>• Make presentations at public/private industry meetings</li> <li>• Keep producing manuals</li> <li>• Support and encourage agencies to use the ESCO handbook</li> <li>• Benchmark performance of contractors, publish data so end users see the true statistics of ESCOs</li> </ul>
Work to simplify the Standard Performance Contracting Program (SPC)* and other utility programs	<ul style="list-style-type: none"> <li>• Simplify the SPC</li> <li>• Standardize the SPC process by providing contract requirements and monitoring and verification protocols</li> <li>• Simplify programs</li> <li>• Lobby for continuing DSM incentives</li> <li>• Tie SPC program with deregulation, energy service providers and Title 24</li> </ul>
Provide financing	<ul style="list-style-type: none"> <li>• Provide low interest loans to the private sector</li> <li>• Provide financing at competitive rates</li> </ul>
Promote the industry	<ul style="list-style-type: none"> <li>• Promote performance contracting process</li> <li>• Promote the benefits of the process</li> <li>• Provide independent stamp of approval of new technologies</li> <li>• Reinforce the idea that public energy management is needed</li> <li>• Encourage State of California to move forward with performance contracting</li> <li>• Make referrals</li> </ul>

\* See page 5 for description of SPC.

**16. Would you like us to link to your web page?**

Thirty-two companies had web page addresses. Some indicated that they were in the process of developing a page. Nearly all embraced the idea of having the Energy Commission link to their web page.



# **CALIFORNIA ENERGY COMMISSION ENERGY SERVICES PROVIDER SURVEY**

(Please return by November 13, 1998)

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1. **Does your company currently have a business license and/or contracting license in the State of California?**
  - ☐ Yes
  - ☐ No. If no, what are your future plans to secure a license? \_\_\_\_\_  
\_\_\_\_\_
  
2. **Which of the following best describes your company?**
  - ☐ Independent ESCO-not owned by equipment manufacturer or affiliated with utilities
  - ☐ Retail ESCOs-a division of a utility or a separate subsidiary, either regulated or unregulated
  - ☐ Affiliated with equipment manufacturer
  - ☐ Affiliated with an energy marketer
  - ☐ Affiliated with a property management firm
  - ☐ Other, please specify: \_\_\_\_\_
  
3. **Has there been increased customer interest in your services?**
  - ☐ Yes. What do you believe is the reason for the increase? \_\_\_\_\_  
\_\_\_\_\_
  - ☐ No
  
4. **The Nonresidential Standard Performance Contracting (SPC) Program is the 1998 incentive program for energy efficiency projects offered to customers in the PG&E, SCE and SDG&E service territories. What are your opinions of this program?**
  
  
  
  
  
  
  
  
  
  
5. **With respect to the SPC program, which of the following describes your main role? Check all that apply.**
  - ☐ We are the Energy Efficiency Service Provider (EESP) of record.
  - ☐ We provide support services to others who are the EESP of record.
  - ☐ We have not participated in the SPC program.
  - ☐ Other, please specify: \_\_\_\_\_

**6. If you are participating in the SPC, please indicate:**

• Number of customers served as an Energy Efficiency Service Provider (EESP) of record	.
• Number of customers served in a supporting role to others who are the EESP of record	
• Estimated percent of work underway in the SPC versus all energy services work	

**7. What estimated percent of your *current* gross sales do the following sectors represent? What about your *future* gross sales?**

Sectors	Estimated Percent of Current Gross Sales	Estimated Percent of Future Gross Sales
City Government		
County Government		
State Government		
Federal Government		
K-12 Schools		
Higher Education		
Commercial		
Industrial		
Residential		
Other, specify:		

**8. What estimated percentage of your annual *energy services* sales is generated by each of the following activities in *California*?**

Business Activity	Percent of Gross Sales
<b>Comprehensive Performance Contracting*</b> includes HVAC, lighting and controls	
<b>Mechanical Performance Contracting*</b> includes HVAC systems and controls	
<b>Lighting Performance Contracting*</b> includes lighting systems and controls	
<b>Mechanical Systems**</b> includes analysis, design and construction of HVAC & controls	
<b>Lighting Systems**</b> includes analysis, design and construction of lighting & controls	
<b>Energy Commodity Sales</b> includes electricity and/or natural gas	
<b>Equipment Sales</b> includes all types	
<b>Equipment Maintenance</b> includes all types	
<b>Helping Customers Participate in Utility Incentive Programs</b> including rebate, DSM bid programs, and the Nonresidential Standard Performance Contracting Program	
<b>Provide Monitoring and Verification Services</b> for others	

<b>Other, specify:</b>	
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- \* Performance contracting includes the investment grade audit, engineering, construction, monitoring and verification, and guaranteeing savings. The provision of financing and maintenance are options.
- \*\* Includes design-build

9. **Has your company *been acquired* by another in the last two years?**  
☐ Yes, previous company name: \_\_\_\_\_  
☐ No
10. **Has your company *acquired* others in the last two years?**  
☐ Yes, name of acquired firm(s) \_\_\_\_\_  
☐ No
11. **With which firms have you formed strategic partnerships within the last two years?**  
**Check all that apply.**  
☐ Electricity suppliers  
☐ Equipment companies  
☐ Architectural/engineering firms  
☐ Others, specify: \_\_\_\_\_  
☐ Building maintenance companies  
☐ Equipment maintenance companies  
☐ Metering and verification specialists
12. **What are your main sources of information on energy efficiency as it affects your industry? Check all that apply.**  
☐ Utilities  
☐ Media (newspaper, TV, etc.)  
☐ Other ESCOs  
☐ Equipment companies  
☐ NAESCO  
(National Association of Energy Services Company)  
☐ Internet-specify web sites: \_\_\_\_\_  
☐ Professional Groups: \_\_\_\_\_  
☐ Others, specify: \_\_\_\_\_
13. **What are the main obstacles that prevent potential customers from using your services?**
14. **Has the Energy Commission's *How to Hire an Energy Services Company Handbook* helped to overcome these obstacles?**
15. **Other than providing energy project grants or incentives to your customers, how else can the Energy Commission help in overcoming these obstacles?**

16. We are updating our list of ESCOs serving California customers. Please provide the following information on your company and your California offices. In lieu of completing this table, you can attach business cards with this information.

<b>Company Name</b> (use NYSE or NASDAQ designation and include DBAs)	
<b>Corporate Headquarters Address</b>	
<b>Telephone</b> <b>FAX</b> <b>E-mail address</b>	
<b>Company web page:</b> <b>California specific web page:</b>	

<p><b>Would you like us to link to your web page?</b></p> <p><input type="radio"/> Yes <input type="radio"/> No</p> <p>Contact for webmaster:</p>
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Please complete the following for each office in California (add another page, if necessary):

Contact Person/Title	Address	Telephone, FAX, E-mail

*Thank you very much for taking the time and effort to complete this survey.* Please mail the survey, in the postage paid pre-addressed envelope, or fax it to the California Energy

Commission, Virginia Lew, 1516 Ninth Street, MS-26, Sacramento, CA 95814, (916) 654-4304 (fax number) by November 13, 1998. For questions about the survey, please call 916-654-3838.